

AMENDED IN ASSEMBLY APRIL 10, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1796

Introduced by Assembly Member Linder
(Coauthor: Assembly Member Perea)

February 18, 2014

~~An act to add Section 17206.2 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy. An act to add Section 19304 to the Revenue and Taxation Code, relating to taxation.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1796, as amended, Linder. ~~Tax deductions: 529 college savings plans. Franchise Tax Board: refunds: direct deposit: taxpayer form instructions.~~

Existing law requires the Franchise Tax Board to make a refund to a taxpayer of any overpayment of taxes. Existing law requires the Franchise Tax Board to revise returns to allow a taxpayer to designate more than one account for direct deposit of a refund.

The Golden State Scholarshare College Savings Trust, California's 529 College Savings Plan, is administered by the Scholarshare Investment Board. Existing law authorizes the trust to enter into agreements with participants on behalf of beneficiaries subject to specified terms for higher education expenses.

This bill would require the Franchise Tax Board to revise taxpayer form instructions for tax returns to include information about the ability of a taxpayer to directly deposit a portion of a refund into the Golden State Scholarshare College Savings Trust, as defined. This bill would require the Scholarshare Investment Board to provide the Franchise

Tax Board with a description of that trust program before a date specified by the Franchise Tax Board, and that the revisions be completed in the most cost-effective manner.

~~The Personal Income Tax Law, in modified conformity with federal income tax laws, allows various deductions in computing the income that is subject to the taxes imposed by that law.~~

~~This bill, for taxable years beginning on or after January 1, 2014, would allow as a deduction under that law the lesser of (1) the amount contributed by a qualified taxpayer, as defined, to a qualified tuition program, as provided, or (2) \$3,000 in the case of a taxpayer who is single or is a married individual filing a separate return, and \$6,000 in the case of a taxpayer who is a married individual filing a joint return or an individual filing a head of household return.~~

~~This bill would take effect immediately as a tax levy.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 *SECTION 1. Section 19304 is added to the Revenue and*
- 2 *Taxation Code, to read:*
- 3 19304. (a) *The Franchise Tax Board shall revise taxpayer*
- 4 *form instructions, for returns required to be filed, pursuant to*
- 5 *Article 1 (commencing with Section 18501) of Chapter 2, to include*
- 6 *information about the ability of a taxpayer to directly deposit a*
- 7 *portion of the refund into the Golden State Scholarshare College*
- 8 *Savings Trust.*
- 9 (b) *The Scholarshare Investment Board shall provide the*
- 10 *Franchise Tax Board with a description of the Golden State*
- 11 *Scholarshare College Savings Trust on or before a specified date*
- 12 *provided by the Franchise Tax Board. The length of the description*
- 13 *shall be five lines or less.*
- 14 (c) *The Franchise Tax Board shall revise the taxpayer form*
- 15 *instructions in the most cost-effective manner.*
- 16 (d) *For purposes of this section, "Golden State Scholarshare*
- 17 *College Savings Trust" has the meaning set forth in subdivision*
- 18 *(e) of Section 69980 of the Education Code.*
- 19 ~~SECTION 1. Section 17206.2 is added to the Revenue and~~
- 20 ~~Taxation Code, to read:~~

1 ~~17206.2.—(a) For taxable years beginning on or after January~~
2 ~~1, 2014, there shall be allowed as a deduction the lesser of the~~
3 ~~amount contributed by a qualified taxpayer during the taxable year~~
4 ~~to a qualified tuition program under Section 529 of the Internal~~
5 ~~Revenue Code, as modified by Section 17140.3, or the applicable~~
6 ~~amount determined under paragraph (2) of subdivision (b).~~

7 ~~(b) For purposes of this section, all of the following apply:~~

8 ~~(1) Section 67(b) of the Internal Revenue Code, relating to the~~
9 ~~definition of miscellaneous itemized deductions, is modified to~~
10 ~~additionally provide that the deduction allowed under this section~~
11 ~~is an itemized deduction that is not subject to the 2 percent floor~~
12 ~~on itemized deductions under Section 67(a) of the Internal Revenue~~
13 ~~Code.~~

14 ~~(2) The amount allowed as a deduction under subdivision (a)~~
15 ~~shall not exceed the following:~~

16 ~~(A) In the case of a taxpayer who is single or is a married~~
17 ~~individual filing a separate return, three thousand dollars (\$3,000).~~

18 ~~(B) In the case of a taxpayer who is a married individual filing~~
19 ~~a joint return or an individual filing a head of household return,~~
20 ~~six thousand dollars (\$6,000).~~

21 ~~(3) “Qualified taxpayer” means an individual who, on behalf~~
22 ~~of a beneficiary, contributes money to a qualified tuition program~~
23 ~~and meets all of the other applicable requirements of Section 529~~
24 ~~of the Internal Revenue Code, as modified by Section 17140.3.~~

25 ~~(c) The deduction under subdivision (a) shall be taken with~~
26 ~~respect to the taxable year in which the contribution is made and~~
27 ~~shall be limited to the applicable dollar amount determined under~~
28 ~~paragraph (2) of subdivision (b).~~

29 ~~SEC. 2.—This act provides for a tax levy within the meaning of~~
30 ~~Article IV of the Constitution and shall go into immediate effect.~~